

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY	County ST CLAIR COUNTY
Audit Date 09/30/05	Opinion Date 02/10/06	Date Accountant Report Submitted to State: MAY 31, 2006	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).	X		

Certified Public Accountant (Firm Name) STEWART, BEAUVAIS & WHIPPLE PC			
Street Address 1979 HOLLAND AVENUE	City PORT HURON	State MI	ZIP 48060
Accountant Signature <i>Stewart, Beauvais & Whipple</i>			Date 05/31/06

**ST. CLAIR COUNTY COMMUNITY MENTAL
HEALTH AUTHORITY
Port Huron, Michigan**

ANNUAL FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
SEPTEMBER 30, 2005**

Stewart,
Beauvais
& Whipple P.C.

CERTIFIED PUBLIC ACCOUNTANTS



ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

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INDEPENDENT AUDITOR'S REPORT

To the St. Clair County Community
Mental Health Authority
Port Huron, Michigan

We have audited the accompanying basic financial statements of the St. Clair County Community Mental Health Authority, a component unit of St. Clair County, Michigan, as of and for the year ended September 30, 2005, as listed in the table of contents. These financial statements are the responsibility of the St. Clair County Community Mental Health Authority's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the St. Clair County Community Mental Health Authority as of September 30, 2005, and the results of its operations for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2006 on our consideration of the St. Clair County Community Mental Health Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 8 is not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the basic financial statements of the St. Clair County Community Mental Health Authority's basic financial statements. The combining schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Certified Public Accountants

February 10, 2006

ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

**Annual Financial Statements
For the Year Ended September 30, 2005**

MANAGEMENT'S DISCUSSION AND ANALYSIS

This *Management's Discussion and Analysis* has been written by the management team of the St. Clair County Community Mental Health Authority. We offer readers of these financial statements this analysis of the financial activities of the Authority for the fiscal year ended September 30, 2005. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole.

OVERVIEW OF THE FINANCIAL STATEMENTS

This Management Discussion and Analysis (MDA) is intended to provide a basis of understanding of the St. Clair County Community Mental Health Authority's basic statements. These statements comprise three components: (1) governmental-wide financial statements, (2) fund (modified accrual) financial statements, and (3) notes to the financial statements. Supplementary information is also provided for additional information purposes.

In reviewing the financial statements the reader must be cognizant of two important budgetary areas. (1) The St. Clair CMHA operates a region-wide Medicaid program, which consists of revenues and expenses for the **Thumb Alliance PIHP Bureau** of the St. Clair CMHA. As such, the PIHP's financial statements reflect the financial status of the PIHP (central administration and Access Center); and include the revenues / expenditures for the entire Thumb Alliance provider network, including the PIHP's subcontracts with its major Comprehensive Specialty Services Networks (i.e. CMHs) for Medicaid services, including the St. Clair CMHA and its subnetwork providers. (2) The St. Clair CMHA also operates a **Program Operations Bureau**, which manages programs and services only germane to St. Clair County. Funding for these "St. Clair County only" programs and services include Medicaid funding received from the PIHP, along with funding from other sources such as Michigan's General Funds (GF); Adult Benefit Waiver (ABW) program; MI-Child program, and local county funds. As such, the financial report is broken down into those financial statements pertaining to the Thumb-Alliance PIHP provider component, and those financial statements that pertain only to programs and services offered in St. Clair County.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the St. Clair County Community Mental Health Authority's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the St. Clair County Community Mental Health Authority's assets and liabilities, with the differences between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., unused vacation and sick).

Fund (Modified Accrual) Financial Statements

Unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds (modified accrual) statements with similar information presented for government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions.

The St. Clair County Community Mental Health Authority adopts an annual appropriated budget for the operating fund. A budgetary comparison statement has been provided to demonstrate compliance with this budget.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund (modified accrual) financial statements.

FINANCIAL HIGHLIGHTS

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. As shown on the chart below, the Authority's assets exceeded liabilities by \$8,924,229 at the end of the fiscal year.

The net assets are separated into three major components: (1) investment in capital assets which amounted to \$2,383,741 or 26.7% of net assets (2) restricted net assets of \$4,274,322 or 47.9% and (3) unrestricted net assets of \$2,266,166 or 25.4%. The restricted net assets are dollars set-aside from state and local funding, which are subject to external restrictions on how they may be used, to provide protection from expected and unexpected cost fluctuations related to its managed care risk contract with the Michigan Department of Community Health.

When comparing this fiscal year to the previous year, net assets have increased by \$104,596, which is .16% of annual revenues.

<u>Statement of Net Assets</u>	<u>FY 2005</u>	<u>FY 2004</u>
Current and other unrestricted assets	\$ 11,625,497	\$ 9,474,626
Restricted assets	5,538,916	5,599,082
Capital Assets	<u>2,383,741</u>	<u>1,145,240</u>
Total Assets	<u>19,548,154</u>	<u>16,218,948</u>
Long-term liabilities outstanding	1,264,594	1,240,473
Other liabilities	<u>9,359,331</u>	<u>6,158,842</u>
Total Liabilities	<u>10,623,925</u>	<u>7,399,315</u>
Net Assets:		
Invested in capital assets, net of related debt	2,383,741	1,145,240
Restricted	4,274,322	4,358,609
Unrestricted	<u>2,266,166</u>	<u>3,315,784</u>
Total net assets	<u>\$ 8,924,229</u>	<u>\$ 8,819,633</u>
<u>Statement of Activities</u>		
Revenues		
Intergovernmental	\$62,763,295	\$59,976,634
Charges for services	528,901	355,687
Interest and rents	410,849	188,821
Other revenues	<u>78,594</u>	<u>117,893</u>
Total Revenues	<u>63,781,639</u>	<u>60,639,035</u>
Expenses		
Developmental Disability Programs	5,752,564	4,374,632
Mental Illness Programs	8,067,105	7,866,316
Substance Abuse	485,127	412,361
Administration and Support Services	4,288,744	4,375,978
PIHP – Administration/Access Center	3,334,107	3,695,689
Other Alliance Boards	24,228,144	22,722,452
Grants	384,669	487,380
Institutional and State Residential Care	1,215,081	849,420
Contract Agencies	6,610,771	6,453,315
Residential Homes	9,973,485	9,847,523
Interest Expense		13,958
Depreciation/loss on disposal	<u>278,960</u>	<u>307,500</u>
Total Expenses	<u>64,632,715</u>	<u>61,392,566</u>
Increase (decrease) in net assets before other financing sources	(851,076)	(753,531)
County Appropriation	<u>955,672</u>	<u>955,672</u>
Increase in net assets	104,596	202,141
Net assets at beginning of year	<u>8,819,633</u>	<u>8,617,492</u>
Net assets at end of year	<u>\$ 8,924,229</u>	<u>\$ 8,819,633</u>

Financial Analysis of Fund (Modified Accrual) Statements

As noted earlier, the focus of the fund (modified accrual) financial statements is to provide information on the near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Authority's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Authority reported an ending fund balance of \$4,909,640, which is a decrease of \$4,005,226 from the prior year. This resulted from moving \$4,358,609 into an Internal Service Fund. Approximately 40% or \$1,945,677 of the fund balance constitutes unreserved fund balance, which is available for spending at the Authority's discretion; however \$1,300,000 is designated for contingencies and managed care. This represents a reduction of \$500,000 as approved at the March 15th 2006 meeting of the St. Clair County Community Mental Health Authority Board. The remaining fund balance of \$2,963,963 or 60% is reserved to indicate that it is not available for new spending because (1) it is reserved to liquidate vacation and sick pay earned in prior periods and reimbursed by funding sources (2) it is monies advanced to other funds or (3) is for prepaid expenditures.

The increase in fund balance of \$122,763 is a result of a number of factors. A net increase was realized from excess local revenues of \$222,150. The change in accrued sick and vacation reserve accounted for an increase of \$24,122. Timing differences in recognition of fee revenues accounted for an increase of \$109,858. These increases were offset by capital asset purchases net of related interest income and other equipment related changes not expensed in the MDCH settlement of \$215,462 and a decrease of \$17,905 resulting from General Fund, Adult Benefit Waiver and MI Child dollars spent in excess of related revenues.

BUDGETARY HIGHLIGHTS

The Authority prepares a formal budget prior to the beginning of the fiscal year with a formal amendment made mid-year and at nine months. Each of the budget amendments are approved by the Board and submitted to the Department of Community Health. The actual revenues of \$64,419,343 were 1.2% over the original budget and 5.7% under the amended budget. The amended revenue budget approved by the Board reflected all projected Medicaid revenue as current year income. The \$4,267,789 of Medicaid Savings from FY 2005 to be used in FY 2006 is not reflected in revenue in the financial statements but rather as deferred revenue in the Balance Sheet. Medicaid Savings of \$3,018,569 from FY 2004 spent in FY 2005 was reflected in the amended budget as well as actual revenues.

The actual expenditures of \$64,658,841 compared to the original budget of \$64,466,059 represents a difference of \$192,782 or .3%. The difference between actual expenditures and the amended budget of \$64,006,552 was an increase of \$652,289 or 1.0% of the amended budget. The difference is primarily \$600,482 of QAAP tax expense paid to MDCH but not included in the amended budget. The QAAP tax is discussed later in the report. The increase in Mental Illness Programs between the original and amended budgets was for an anticipated increase in Community Inpatient costs. These costs were able to be reduced by approximately \$100,000 by year-end. There was about a \$400,000 shift in actual costs versus budgeted cost between Developmental Disability Programs and Mental Illness Programs in the area of Adult Support Services. This only represented the classification between the two populations, not actual services provided. The original budget for Residential Homes reflected \$150,000 for a planned Clinical Foster Care Home that was not implemented during the year.

CAPITAL ASSETS

The Authority had \$2,383,741 in capital assets, net of accumulated depreciation, at September 30, 2005. This is an increase of \$1,238,501 from the previous year. The purchase of three residential homes and completion of the new Children's Crisis Home represent an increase of \$1,156,901. The remaining increase represents new equipment purchases in excess of depreciation for the year. The breakdown of assets at September 30, 2005 is as follows:

Land	\$ 206,551
Buildings	1,360,280
Leasehold Improvements	365,403
Equipment	<u>2,186,776</u>
	4,119,010
Accumulated Depreciation	<u>(1,735,269)</u>
	<u>\$ 2,383,741</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The State of Michigan, the primary source of funding for the St. Clair County Community Mental Health Authority continues to face high unemployment rates and a budget deficit for FY 2006. The new funding category created by MDCH in FY 2003 called Adult Benefits Waiver covering individuals previously with little or no medical coverage was continued in FY 2006 but with a period of no new enrollments. MDCH adjusted for increases or decreases in ABW revenue by increasing or decreasing General Fund revenues in FY 2005 by offsetting amounts. The total received in FY 2005 was \$620,452 with \$630,445 in expenditures resulting in the need to cover the \$10,993 deficit from General Fund revenues. Projections are currently for a continued deficit in ABW funding in FY 2006.

Medicaid services are broken into 3 different categories referred to as State Plan Services (1915(b)), B-3 Services (1915(b)(3)), and Habilitation Waiver Services (1915(c)). Medicaid PEPM rates are based on age, gender, eligibility code and geographical factors. They were rebased effective October 1, 2004 in accordance with the State's actuarial analysis conducted on behalf of MDCH. These rate-rebasing changes, combined with a steady increase in Medicaid eligible population resulted in an increase in revenue for the Thumb Alliance PIHP of approximately \$3,000,000 over revenue projections in the original budget, which were based on FY 2004 actual revenues. Projections for Medicaid revenues in FY 2006 are estimated at \$1,000,000 more than FY 2005, excluding the increase in rates related to the QAAP adjustment. The QAAP adjustment is an increase in Medicaid rates, which is then returned to MDCH in the form of an assessment or tax of 6% on the gross Medicaid payments. As in prior years, the projected Medicaid revenue is subject to fluctuation based on HSW enrollments, eligible enrolled beneficiary lives and potential rate changes by MDCH. As mentioned above, the Medicaid Savings at September 30, 2005 was \$4,267,789 or an increase of \$1,200,000 over FY 2005. A plan on how to spend the Medicaid savings in FY 2006 has already been approved by the PIHP Board in March, 2006. Management believes that absent a significant decline in the number of Medicaid eligibles during FY 2006, a decline in HSW (C Waiver) revenues or further budget cuts, FY 2006 will end with significant planned savings to carry forward to FY 2007.

St. Clair CMHA's General Fund allocation for FY 2006 was not affected by some statewide redistributions intended to smooth out the impact of Medicaid rate changes at other CMH's. Management has taken numerous steps to reduce General Fund expenditures in FY 2006 and although the original budget for FY 2006 General Fund expenditures was approximately \$1,000,000 in excess of the anticipated GF revenue, it has already significantly reduced that projected deficit through close review of General Fund cases and service levels for those consumers, reduction or elimination of some programs that were fully funded by General Fund dollars, reductions in state facility days and an emphasis on assisting eligible consumers to apply for and obtain Medicaid benefits whenever possible. However, as we proceed through FY 2006, it is projected that GF service demands and expenditures, including expenses in the ABW and MI-Child Programs, continue to demand more budgetary resources than projected GF revenues can cover. Given that the CMH Board has a limited cash-reserve to cover budget over-expenditures, both the CMH Board and Management must continue to closely monitor the GF funding area. Further program and budgetary reductions may still be necessary during FY 06 (and perhaps beyond) in order to ensure the St. Clair CMHA operates its GF program within its budget limits.

CONTACTING THE AUTHORITY MANAGEMENT

This financial report is designed to provide a general overview of the St. Clair County Community Mental Health Authority's finances and to show accountability. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the St. Clair County Community Mental Health Authority, 1011 Military Street, Port Huron, MI 48060-5416.

BASIC FINANCIAL STATEMENTS

ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

BALANCE SHEET/STATEMENT OF NET ASSETS

SEPTEMBER 30, 2005

	Governmental Activities	Internal Service	Adjustments Note 2	Statement of Net Assets
ASSETS				
Cash and cash equivalents	\$ 8,630,532	\$ -	\$ -	\$ 8,630,532
Accounts receivable (net of allowances)	261,417	-	-	261,417
Due from other governmental units (net of allowances)	2,433,397	-	-	2,433,397
Due from other funds	-	20,338	(20,338)	-
Prepaid expenditures	300,151	-	-	300,151
Advance from other funds	1,399,218	-	(1,399,218)	-
Restricted Assets -				
Cash - Accrued vacation and sick	1,264,594	-	-	1,264,594
- Risk Corridor Financing	-	4,274,322	-	4,274,322
Capital Assets, net of depreciation				
Assets not being depreciated	-	186,551	20,000	206,551
Assets being depreciated	-	1,206,299	970,891	2,177,190
Total Assets	\$ 14,289,309	\$ 5,687,510	\$(428,665)	\$ 19,548,154
LIABILITIES				
Accounts Payable	2,072,840	-	-	2,072,840
Accrued payroll and payroll taxes	582,590	-	-	582,590
Due to other governmental units	2,421,844	-	-	2,421,844
Due to other funds	20,338	-	(20,338)	-
Deferred revenue	4,282,057	-	-	4,282,057
Non-current liabilities				
Advance to (from) other funds	-	1,399,218	(1,399,218)	-
Accrued vacation and sick	-	-	1,264,594	1,264,594
Total Liabilities	9,379,669	1,399,218	(154,962)	10,623,925
FUND BALANCE				
Reserved -				
Advance to other funds	1,399,218	-	(1,399,218)	-
Prepaid expenditures	300,151	-	(300,151)	-
Accrued vacation and sick	1,264,594	-	(1,264,594)	-
Unreserved -				
Designated - Managed Care	800,000	-	(800,000)	-
- Contingencies	500,000	-	(500,000)	-
Undesignated	645,677	-	(645,677)	-
Total Fund Balance	4,909,640	-	(4,909,640)	-
Total Liabilities and Fund Balances	14,289,309			
NET ASSETS				
Invested in capital assets		(6,368)	2,390,109	2,383,741
Restricted		4,274,322	-	4,274,322
Unrestricted		20,338	2,245,828	2,266,166
Total Net Assets		4,288,292	4,635,937	8,924,229

See Notes to
Financial Statements

ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

STATEMENT OF GOVERNMENTAL REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005

	Governmental Activities	Internal Service	Adjustments Note 2	Statement of Net Activities
Revenues:				
Intergovernmental -				
Federal/State	\$ 61,178,009	158,487	\$ -	\$ 61,336,496
Local	1,426,799	-	-	1,426,799
Charges for services	528,901	-	-	528,901
Interest and rents	251,368	159,481	-	410,849
Other revenue	78,594	-	-	78,594
	<u>63,463,671</u>	<u>317,968</u>	<u>-</u>	<u>63,781,639</u>
Expenditures/Expenses:				
Developmental Disability Programs	5,849,509	-	(96,945)	5,752,564
Mental Illness Programs	8,126,828	-	(59,723)	8,067,105
Administration and Support Services	4,467,173	-	(178,429)	4,288,744
Grants	383,570	-	1,099	384,669
PHIP	28,032,424	-	14,954	28,047,378
State Institutions	1,215,081	-	-	1,215,081
Contract Agencies	6,610,771	-	-	6,610,771
Residential Homes	9,973,485	-	-	9,973,485
Interest Expense	-	13,958	-	13,958
Depreciation	-	12,066	266,894	278,960
	<u>64,658,841</u>	<u>26,024</u>	<u>(52,150)</u>	<u>64,632,715</u>
Excess of revenues over (under) expenditures/expenses	<u>(1,195,170)</u>	<u>291,944</u>	<u>52,150</u>	<u>(851,076)</u>
Other Financing Sources (Uses):				
County appropriation	955,672	-	-	955,672
Transfers in	362,261	-	(362,261)	-
Transfer out	-	(362,261)	362,261	-
	<u>1,317,933</u>	<u>(362,261)</u>	<u>-</u>	<u>955,672</u>
Excess of revenues and other financing sources over expenditures/expenses and other uses	<u>122,763</u>	<u>(70,317)</u>	<u>52,150</u>	<u>104,596</u>
Fund Balance at beginning of fiscal year	4,556,257	4,358,609	(95,233)	8,819,633
Prior Period Adjustment	<u>230,620</u>	<u>-</u>	<u>(230,620)</u>	<u>-</u>
Fund Balance at beginning of fiscal year as restated	<u>4,786,877</u>	<u>4,358,609</u>	<u>(325,853)</u>	<u>8,819,633</u>
Fund Balance at end of fiscal year	<u>\$ 4,909,640</u>	<u>\$ 4,288,292</u>	<u>\$(273,703)</u>	<u>\$ 8,924,229</u>

See Notes to
Financial Statements

ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY
STATEMENT OF GOVERNMENTAL REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005

	Original Budget	Amended Budget	Actual
Revenues:			
Intergovernmental -			
Federal/State	\$ 61,594,095	\$ 65,814,339	\$ 61,178,009
Local	647,881	836,037	1,426,799
Charges for services	321,661	492,974	528,901
Interest and rents	110,000	175,000	251,368
Other revenue	18,509	26,157	78,594
	<u>62,692,146</u>	<u>67,344,507</u>	<u>63,463,671</u>
Expenditures			
Developmental Disability Programs	5,255,893	5,489,635	5,849,509
Mental Illness Programs	8,141,476	8,638,149	8,126,828
Administration and Support Services	4,861,940	4,675,426	4,467,173
Grants	390,089	393,700	383,570
PIHP	27,824,168	26,745,466	28,032,424
State Institutions	1,439,128	1,316,987	1,215,081
Contract Agencies	6,308,409	6,579,860	6,610,771
Residential Homes	10,244,956	10,167,329	9,973,485
	<u>64,466,059</u>	<u>64,006,552</u>	<u>64,658,841</u>
Excess of revenues over (under) expenditures	<u>(1,773,913)</u>	<u>3,337,955</u>	<u>(1,195,170)</u>
Other Financing Sources:			
County appropriation	955,672	955,672	955,672
Transfers from other funds	-	-	362,261
	<u>955,672</u>	<u>955,672</u>	<u>1,317,933</u>
Excess of revenues and other sources over (under) expenditures	<u><u>\$(818,241)</u></u>	<u><u>\$ 4,293,627</u></u>	<u><u>\$ 122,763</u></u>

See Notes to
Financial Statements

ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

**STATEMENT OF FIDUCIARY NET ASSETS
PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS
SEPTEMBER 30, 2005**

ASSETS:

Cash and cash equivalents	\$ 617,316
Due from other funds	<u>-</u>
	<u>\$ 617,316</u>

NET ASSETS:

Reserved for employees' health care	<u>\$ 617,316</u>
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**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2005**

Additions:

Employer contributions	\$ 15,898
Interest income	<u>25,889</u>
	<u>\$ 41,787</u>

Deductions:

	<u>-</u>
Net increase	41,787

Net assets held in trust for health insurance

Beginning of year	<u>575,529</u>
End of year	<u>\$ 617,316</u>

See Notes to
Financial Statements

ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting methods and procedures adopted by the St. Clair County Community Mental Health Authority conform in all material respects to U.S. generally accepted accounting principles as applied to governmental entities and the Uniform Accounting Manual for County Mental Health Boards as prescribed by the State of Michigan. The following Notes to the Financial Statements are an integral part of the Authority's financial statements.

A. Reporting Entity –

The St. Clair County Community Mental Health Services Board, a component unit of St. Clair County, provides mental health services to residents of St. Clair County and is the prepaid inpatient health plan for the three County regions comprised of St. Clair, Lapeer and Sanilac counties. The Board was originally established in 1965 under the provision of Act 54 PA 1963, as amended, and on January 1, 2000 adopted authority status under Public Act 290 of the Public Acts of 1995. The Board assumed the responsibilities as the Prepaid Inpatient Health Plan (PIHP) for the Thumb Region as of October 1, 2002.

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation –

The government-wide financial statements (i.e. the Statement of Net Assets and Statement of Activities) are reported using the economic resource measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grant and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The fund (modified accrual) statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized when it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences and claims and judgments are recorded only when payment is due.

Charges for services, grants and interest associated with the current fiscal period are all considered to be susceptible to accrual, and therefore have been recognized as revenues of the current fiscal period.

The Authority's operating activities are all reported in the General Fund. It is used to account for all activities except those required to be accounted for in another fund.

Additionally, the Authority reports the following fund types:

Internal Services Funds – are used to account for and finance potential uninsured risk of loss related to managed care, and the purchase and operations of residential homes.

Pension Trust and Other Employee Trust Funds – is used to accumulate resources for the payment of post-retirement benefits for employees not covered under the St. Clair County system.

ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for these business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

Proprietary Funds (Internal Service Funds) distinguish operating revenue and expenses from non-operating items. Operating revenues and expenses generally result from providing services and delivery goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the government's internal service funds are charged to other funds for services provided. All revenues and expenses not meeting this definition are reported as non-operating revenues.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, and then the unrestricted resources as needed.

C. Assets, Liabilities, and Net Assets or Equity –

Cash and Cash Equivalents – The Authority's cash and cash equivalents are cash on hand, demand deposits and certificates of deposits and mutual funds with original maturities of three months or less from the date of acquisition.

Receivables – All receivables are shown net of allowances for uncollectible amounts.

Prepaid Items – Certain payments to vendors reflect cost applicable to future fiscal years and are recorded as prepaid expenditures.

Restricted Assets – The Michigan Department of Community Health (DCH) provides funding for accrued vacation and sick time as it is earned, regardless of when paid, however requires the amounts to be maintained in separate bank accounts. In addition DCH allows mental health organizations to establish a separate account to cover the risk exposure under the Managed Care Specialty Services Program.

Capital Assets – Are reported in the government-wide statements. Capital assets are defined by the Authority as assets with an initial individual cost of \$1,000 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

Property, plant and equipment are depreciated using the straight-line method over the following useful lives.

Building	40
Building Improvements	10
Equipment	5-20

Accrued Vacation and Sick Pay – In accordance with contracts negotiated with the various employee groups, individual employees have a vested right upon termination of employment to receive payments for unused vacation and sick leave under formulas and conditions specified in the contract. All amounts vested are accrued in the government-wide statements. A liability for these amounts is only reported in the fund (modified accrual) statements if they have matured, for example, as a result of employee resignations and/or retirement.

Deferred Revenues – In both the government-wide statements and in the fund (modified accrual) financial statements revenues received or recorded before it is earned is recorded as deferred revenue. In addition in the fund (modified accrual) statements, revenues that are not both measurable and available are recorded as deferred revenues.

Fund Equity – The fund (modified accrual) statements report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designation of fund balance represents tentative management plans that are subject to change.

Estimates – In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Federal Programs – The Authority has not integrated its Single Audit Report and Schedule of Expenditures of Federal Awards as part of the annual financial report. The Single Audit will be issued prior to June 30, 2006, under a separate cover as supplementary information.

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:

- A. Explanation of differences between the fund (modified accrual) balance sheet and the government-wide statements of net assets (Page 9).

ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2005**

**NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL
STATEMENTS – (cont'd):**

Fund Balance	\$ 4,909,640
Capital assets used in the modified accrued activities which are not financial resources and therefore are not reported in the fund statements	
Add – capital assets	2,714,093
Deduct – accumulated depreciation	(1,723,202)
Internal service funds used by management to record risk corridor financing and the purchasing of various buildings. The assets and liabilities of the internal service funds are included with governmental activities in the statement of net assets.	4,288,292
Long-term accrued vacation and sick time that are not due in the current period, therefore, not reported in the fund (modified accrual) activities	(<u>1,264,594</u>)
Net Assets	<u>\$ 8,924,229</u>

B. Explanation of differences between the fund (modified accrual) statement of revenues, expenditures and changes in fund balance and the government-wide statement of net activities (Page 10).

Net changes in fund balance – modified accrual	\$ 122,763
The fund (modified accrual) statements report capital outlay as expenditures. However, in the Statement of Net Assets the cost of those assets is allocated over their estimated useful lives and reported as depreciation expenses	
Add – capital outlay	343,165
Deduct – depreciation	(266,894)
Internal service funds used by management to record risk corridor financing and the purchase and rent of various buildings. The net revenues (expenses) attributable to those funds is reportable with governmental activities.	(70,317)
Accrued vacation and sick time expenses not reported in the fund (modified accrual) statement because they will not be paid with current financial resources	(<u>24,121</u>)
Change in Net Assets	<u>\$ 104,596</u>

ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2005

NOTE 3 - DEPOSITS AND INVESTMENTS:

As of September 30, 2005, the Authority's deposits and investments are as follows:

	<u>Primary Government</u>	<u>Fiduciary Unit</u>	<u>Reporting Entity</u>
Petty Cash	\$ 3,250	\$ -	\$ 3,250
Deposits with Financial Institution			
Checking/Savings	8,798,959	-	8,798,959
Certificate of Deposit	5,367,239	-	5,367,239
Investments			
Mutual Fund	<u>-</u>	<u>617,316</u>	<u>617,316</u>
	<u>\$ 14,169,448</u>	<u>\$ 617,316</u>	<u>\$ 14,786,764</u>

The primary objectives, in priority order of the St. Clair County Community Mental Health Authority's investment activities are safety, diversification, liquidity and return on investment.

Custodial Credit Risk – is the risk that in the event of a bank failure, the Authority's deposits or investments may not be returned. The Authority does not have a policy for custodial credit risk.

Interest Rate Risk – is the risk that the market value of securities in the Authority's portfolio will fall due to changes in market increases. The Authority attempts to minimize interest rate risk by remaining sufficiently liquidity to meet all operating requirements without the need to sell securities.

Credit Risk – is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. State law and the Authority's investment policy limits the types of investments that can be purchased.

Concentration of Credit Risk – is the risk of loss attributed to the magnitude of the Authority's investments in a single issuer. The Authority's policy specifies that investments be diversified by security type and institution in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

Deposits –

The Authority's investment policy and Act 217 PA 1982, as amended, authorizes the Authority to deposit in certificates of deposit, savings accounts, depository accounts or depository receipts of a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act 105 of the Public Acts of 1855, as amended, being section 21.145 and 21.146 of the Michigan Compiled Laws.

ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2005

NOTE 3 – DEPOSITS AND INVESTMENTS – (cont'd):

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured institution for savings and demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000.

As of September 30, 2005, the bank balance of the Authority's deposits were \$14,788,327, of which \$200,000 was FDIC insured with the balance \$14,588,327 exposed to credit risk because they are uninsured and uncollateralized.

Investments –

The only investments maintained by the Authority are mutual funds in the Employee Benefit Trust Funds. The portfolio consisted of the following at September 30, 2005:

	<u>Market Value</u>	<u>Rating</u>	<u>Average Weighted Maturity</u>	<u>Fund Type</u>
SEI Investment Trust	\$ 2,551	AAA	15 days	Money Market
Dodge & Cox Income Fund	232,528	AAA	6.20 days	Large Cap Equities
Davis Selected American Class D	151,608	N/A	N/A	Fixed Income
Keely Small Cap Value Fund	61,569	N/A	N/A	Small Cap Equities
Third Avenue Real Estate Fund	19,765	N/A	N/A	Real Estate
Legg Mason Value Trust	<u>149,295</u>	N/A	N/A	Large Cap Equities
	<u>\$ 617,316</u>			

NOTE 4 - RECEIVABLES:

Receivables as of September 30, 2005 are as follows:

Accounts Receivable –	
Fees	\$ 399,503
Group Homes	5,998
Other	<u>33,916</u>
	439,417
Allowance for Doubtful Accounts	(<u>178,000</u>)
	<u>261,417</u>
 Intergovernmental –	
Federal/State	781,489
Local	<u>1,656,908</u>
	2,438,397
Allowance for Doubtful Accounts	(<u>5,000</u>)
	<u>2,433,397</u>
	 <u>\$ 2,694,814</u>

ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2005

NOTE 4 – RECEIVABLES – (cont'd):

The fund (modified accrual) statements report deferred revenue in connection with receivables that are not considered to be available to liquidate liabilities of the current period. Both the government-wide and the fund (modified accrual) statements defer revenue recognition in connection with resources that have been received, but not earned. At the end of the current year, the various components of deferred revenue were as follows:

	<u>Unearned</u>
Grants	\$ 14,268
Medicaid Savings	<u>4,267,789</u>
	<u>\$ 4,282,057</u>

NOTE 5 – CAPITAL ASSETS:

Capital assets activity for the current year was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated –				
Land	\$ 72,151	\$ 134,400	\$ 52,151	\$ 206,551
Construction in Progress	<u>195,865</u>	<u>-</u>	<u>195,865</u>	<u>-</u>
	<u>268,016</u>	<u>134,400</u>	<u>195,865</u>	<u>206,551</u>
Capital assets being depreciated –				
Building	141,914	1,218,366	-	1,360,280
Leasehold improvements	400,731	-	35,328	365,403
Equipment	<u>1,876,011</u>	<u>360,561</u>	<u>49,796</u>	<u>2,186,776</u>
	<u>2,418,656</u>	<u>1,578,927</u>	<u>85,124</u>	<u>3,912,459</u>
Less accumulated depreciation for –				
Building	\$ 27,984	\$ 18,825	\$ -	\$ 46,809
Leasehold improvements	200,800	28,942	35,328	194,414
Equipment	<u>1,312,648</u>	<u>231,194</u>	<u>49,796</u>	<u>1,494,046</u>
	<u>1,541,432</u>	<u>278,961</u>	<u>85,124</u>	<u>1,735,269</u>
Net capital assets being depreciated	<u>877,224</u>	<u>(1,299,966)</u>	<u>195,865</u>	<u>2,177,190</u>
Total capital assets net of depreciation	<u>\$ 1,145,240</u>	<u>\$1,434,366</u>	<u>\$ 195,865</u>	<u>\$ 2,383,741</u>

ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2005

NOTE 6 - PAYABLES:

Payables at September 30, 2005 are as follows:

Payables –	
Accounts	\$ 250,631
Contract Agencies	489,575
Group/Foster Care Homes	776,556
Community Inpatient	<u>556,078</u>
	<u>2,072,840</u>
Accrued Payroll and Taxes –	
Wages and taxes	<u>582,590</u>
Intergovernmental –	
Federal/State	2,158,680
Local	<u>263,164</u>
	<u>2,421,844</u>
	<u>\$ 5,077,274</u>

NOTE 7 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS:

Due From/To Other Fund –

As of September 30, 2005, the General Fund owed \$20,338 to the internal service fund for the difference between the rent charged the General Fund and the annual repayment of advances between funds.

Advances From/To Other Fund –

As of September 30, 2005, the Internal Service Fund owed the General Fund \$1,399,218 to repay the advance amount for the purchase/construction of various residential facilities.

Transfer From/To Other Fund –

At the end of the fiscal year, the St. Clair County Community Mental Health Authority Risk Corridor Financing Internal Service Fund Balance of \$362,261 was transferred to offset the General Fund deficit.

NOTE 8 - LONG-TERM DEBT:

In accordance with contracts negotiated with various employee groups of the Authority, individual employees have vested rights upon termination of employment to receive payments for unused vacation and sick leave under formulas and conditions specified in the contract. As of September 30, 2005 the vested benefits were as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>
Accrued Vacation and Sick	<u>\$ 1,240,473</u>	<u>\$ 24,121</u>	<u>\$ -</u>	<u>\$ 1,264,594</u>	<u>\$ -</u>

ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2005

NOTE 9 - RETIREMENT SYSTEM:

Full-time employees, except for contract management personnel, of the St. Clair County Mental Health Authority, are covered under the St. Clair County Employees Retirement System. The plan is a single employer defined benefit pension plan, which was established by County ordinance in 1964 and is administered, managed and operated by St. Clair County. As of December 31, 2004, the St. Clair County Retirement System, which covers substantially all employees of the County, total actuarial accrued liability and actuarial value of assets amounted to \$149,377,188 and \$144,411,118, respectively. The actuarial valuation of the plan, dated December 31, 2003, determined a contribution rate for 2005 of 6.67% of covered payroll.

Detailed information, including GASB Statement No. 25 and 27 information, concerning the St. Clair County Retirement System is presented in its publicly available December 31, 2005 actuarial valuation report and in the St. Clair County December 31, 2005 annual financial statements, (which will be issued later this year).

NOTE 10 - POST-RETIREMENT BENEFITS:

In addition to the basic retirement benefits in Note 9, the St. Clair County Retirement System provided health insurance benefits to retirees with a required number of years service, except contract management personnel. An actuarial report is obtained for the post-retirement benefit on an annual basis to assess that progress is being made to fund these benefits, however funding is only provided if funds are available. As of December 31, 2004, the total accrued liabilities and valuation assets amounted to \$120,502,047 and \$35,576,190, respectively. For the year ended December 31, 2004, the County made contributions representing 6.33% of covered payroll. The actuarial valuation of the plan, dated December 31, 2003, determined a contribution rate for 2005 of 19.24% of covered payroll.

The Authority has also provided health insurance benefits to the management personnel not covered by the St. Clair County Retirement System. To be eligible, the employee must have 20 years of service and be at least 55 years of age. The Authority has elected to fund these benefits on an actuarial basis. The plan currently covers four (4) active members. The latest actuarial report was completed as of December 31, 2003 and indicated that there was an unfunded liability of \$267,178. The Authority elected to fund all past service costs in fiscal 2004. For the year ended September 30, 2005, the Authority's pension cost for this group of employees was \$15,898 or 4.24% of covered payroll, which was equal to the Authority's contribution.

NOTE 11 - DEFERRED COMPENSATION:

The Authority offers all its employees deferred compensation plans created in accordance with the Internal Revenue Code, Section 457. The assets of the plans are held in trust, as described in IRC Section 457 (g) for the exclusive benefit of the participants (employees) and their beneficiaries. The custodian thereof, for the exclusive benefit of the participants, holds the custodial account for the beneficiaries of this Section 457 plan, and the assets may not be diverted to any other use. The administrators are agents of the employer for the purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account and all other matters. In accordance with the provisions of GASB Statement No. 32, plan balances and activities are not reflected in the Authority's financial statements.

ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2005

NOTE 12 - LEASES:

The Authority has entered into certain operating leasing agreements for facilities. At September 30, 2005, these leases contain provisions whereby if various funding sources are not available they are cancelable.

The total of rent expenditures for the fiscal year ended September 30, 2005, is \$399,874.

NOTE 13 - STATE OF MICHIGAN SETTLEMENT:

As is common for Mental Health Authorities, the St. Clair County Community Mental Health Authority receives a significant portion of its revenues through its full management contract with the State of Michigan Department of Community Health, with a settlement reached at the end of each fiscal year. The settlement is based on accumulated reimbursable cost of the Authority and is subject to final audit by the Department of Community Health. For 2005 and 2004, St. Clair County Community Mental Health Authority owed the Michigan Department of Community Health \$1,418,240 and \$342,429, respectively.

NOTE 14 - INSURANCE/RISK MANAGEMENT:

General Liability -

The Authority is exposed to various risk of loss to general and auto liability, property damage and errors and omissions. The Authority is a member in a public risk pool administered by the Michigan Municipal Risk Management Authority for risk of losses relating to its property and general liability (including auto liability and vehicle physical damage).

MMRMA is a municipal self-insurance entity operating pursuant to the State of Michigan Public Act 138 of 1982. The purpose of the MMRMA is to administer a risk management fund which provides members with loss protection for general and property liability.

The St. Clair County Community Mental Health Authority has joined with numerous other governmental agencies in Michigan as a participant in MMRMA's "State Pool". Members of the State Pool do not have individual self-retention amounts other than \$250 deductible per occurrence of property and vehicle coverage.

State Pool members' limits of coverage (per occurrence) are \$15 million for liability and approximately \$3,300,000 for property and crime. If a loss exceeds these limits or, if for any reason, MMRMA's resources are depleted, the payment of all unpaid losses are the sole obligation of the St. Clair County Community Mental Health Authority.

Workers Compensation -

The Authority purchases workers compensation insurance through a commercial carrier with a maximum limit of \$500,000 per occurrence.

ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2005**

NOTE 15 - CONTRACTED TRANSPORTATION SERVICES:

The Authority entered into an agreement with the Blue Water Area Transportation Commission to provide transportation services for the Authority's clientele. Under the agreement the St. Clair County Community Mental Health Authority was to undertake, carry out, and complete the transportation services. In addition, the agreement specified that the Authority is to pay all costs of said services and shall be reimbursed approximately 38.43% of the Eligible Operation Expenses for fiscal 2005 and, if applicable, an additional 10.95% of Eligible Nonurban costs. The final percentage of reimbursement is based on the funding the Blue Water Area Transportation Commission receives from the Michigan Department of Transportation.

For the fiscal year 2005, the Authority incurred \$780,668 of eligible expenses, which resulted in estimated revenue of \$356,273.

NOTE 15 – PRIOR PERIOD ADJUSTMENT:

During the year the Authority established an Internal Services Fund to record the purchase and operations of various residential facilities. As a result, a prior period adjustment of \$230,620 was made to record the transfer of construction of a facility in prior years that will be repaid in future periods. Since the construction in prior year was incurred in a governmental fund, the general fund, it was expensed.

SUPPLEMENTARY FINANCIAL DATA

ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY
GENERAL FUND
COMBINING SCHEDULE OF ASSETS, LIABILITIES AND FUND BALANCE
SEPTEMBER 30, 2005

	St. Clair CMH Operations	PIHP	Elimination	Totals
ASSETS				
Cash and cash equivalents	\$ 5,082,153	\$ 3,548,379	\$ -	\$ 8,630,532
Accounts receivable (net of allowances) -				
Fees	221,503	-	-	221,503
Contract Agencies	5,998	-	-	5,998
Other	33,916	-	-	33,916
Due from other governmental units (net of allowances) -				
State -	98,212	683,277	-	781,489
Local	229,286	1,422,622	-	1,651,908
Due from other funds	-	950,040	(950,040)	-
Prepaid expenditures	300,151	-	-	300,151
Advance to other funds	1,399,218	-	-	1,399,218
Restricted Assets -				
Cash - Accrued vacation and sick	1,014,482	250,112	-	1,264,594
Total Assets	\$ 8,384,919	\$ 6,854,430	\$(950,040)	\$ 14,289,309
LIABILITIES AND FUND EQUITY				
Liabilities:				
Payables -				
Accounts	\$ 240,579	\$ 10,052	\$ -	\$ 250,631
Contract Agencies	489,575	-	-	489,575
Group/Foster Care Homes	776,556	-	-	776,556
Community Inpatient	556,078	-	-	556,078
Accrued payroll and payroll taxes	502,344	80,246	-	582,590
Due to other governmental units -				
State -				
Institutional Care	135,827	-	-	135,827
Other	4,130	2,018,723	-	2,022,853
Local	35,656	227,508	-	263,164
Due to other funds	970,378	-	(950,040)	20,338
Deferred revenue	14,268	4,267,789	-	4,282,057
Total Liabilities	3,725,391	6,604,318	(950,040)	9,379,669
Fund Equity:				
Reserved -				
Advance to other funds	1,399,218	-	-	1,399,218
Prepaid expenditures	300,151	-	-	300,151
Accrued vacation and sick time	1,014,482	250,112	-	1,264,594
Unreserved -				
Designated - Managed Care	800,000	-	-	800,000
- Contingencies	500,000	-	-	500,000
Undesignated	645,677	-	-	645,677
Total Fund Equity	4,659,528	250,112	-	4,909,640
Total Liabilities and Fund Equity	\$ 8,384,919	\$ 6,854,430	\$(950,040)	\$ 14,289,309

ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

GENERAL FUND

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005**

	St. Clair CMH Operations	PIHP	Elimination	Total
Revenues:				
Intergovernmental -				
Federal/State	\$ 33,947,002	\$ 54,165,008	(26,934,001)	61,178,009
Local	822,625	1,263,455	(659,281)	1,426,799
Charges for services	528,901	-	-	528,901
Interest and rents	251,368	-	-	251,368
Other revenue	78,594	-	-	78,594
	<u>35,628,490</u>	<u>55,428,463</u>	<u>(27,593,282)</u>	<u>63,463,671</u>
Expenditures:				
Developmental Disability Programs -				
Family Support Services	1,047,213	-	-	1,047,213
Family Support Home Based Services	240,805	-	-	240,805
Support Services	2,125,806	-	-	2,125,806
Marine City Support Service	294,029	-	-	294,029
Children's Waiver Services	51,259	-	-	51,259
OBRA PASARR	16,994	-	-	16,994
OBRA Active/ Less than				
Active Treatment	26,111	-	-	26,111
Early On Program	208,824	-	-	208,824
Family Support Respite Care	488,699	-	-	488,699
Community Integration Services	718,228	-	-	718,228
Transportation	631,541	-	-	631,541
	<u>5,849,509</u>	<u>-</u>	<u>-</u>	<u>5,849,509</u>
Mental Illness Programs -				
Jail Rehabilitation Services	140,748	-	-	140,748
Port Huron Counseling Center	1,391,616	-	-	1,391,616
Western Area Outpatient	450,051	-	-	450,051
River District Counseling Center	585,193	-	-	585,193
Children's Home Based Services	622,882	-	-	622,882
OBRA Active/Less than				
Active Services	104,443	-	-	104,443
OBRA PASARR	113,729	-	-	113,729
Lakeshore Adult Day				
Treatment	694,273	-	-	694,273
Assertive Community Treatment	555,893	-	-	555,893
MIC Daytreatment/Nightwatch	90,220	-	-	90,220
MIC Clinical Case Management Services	838,499	-	-	838,499
Hopps Road	88,779	-	-	88,779
Community Inpatient				
Facilities	1,624,497	-	-	1,624,497
Medications-Injectibles	158,621	-	-	158,621
Adult Support Services	171,238	-	-	171,238
On-Call	210,680	-	-	210,680
Placement and Facility Liaison	147,029	-	-	147,029
Head Start	98,126	-	-	98,126
Transportation	40,311	-	-	40,311
	<u>8,126,828</u>	<u>-</u>	<u>-</u>	<u>8,126,828</u>

ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

GENERAL FUND

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005

	St. Clair CMH Operation	PHIP	Elimination	Total
Other -				
Administration and Support Services -				
General	\$ 3,676,861	\$ -	\$ -	3,676,861
Drawdown match	659,281	-	-	659,281
Community Services Coordinating Body	131,031	-	-	131,031
Grants -				
Anti Stigma Block Grant	49,757	-	-	49,757
Strong Families Safe Children	138,609	-	-	138,609
Path Grant	46,711	-	-	46,711
Casemanagement Supports Block Grant	13,293	-	-	13,293
CSP Juvenile Justice	66,804	-	-	66,804
Safe St. Clair County	5,500	-	-	5,500
Project Stay Block Grant	57,844	-	-	57,844
Community Foundation Car Seats	2,105	-	-	2,105
Other Grants	2,947	-	-	2,947
PHIP				
Administration	-	3,319,153	-	3,319,153
Behavior Health Resources	-	103,648	-	103,648
Access	-	968,822	-	968,822
Substance Abuse	-	485,127	-	485,127
Medicaid Pass-Through	-	50,748,956	(27,593,282)	23,155,674
Institutional Care	1,215,081	-	-	1,215,081
Contract Agencies	6,610,771	-	-	6,610,771
Residential Homes	9,973,485	-	-	9,973,485
	<u>22,650,080</u>	<u>55,625,706</u>	<u>(27,593,282)</u>	<u>50,682,504</u>
Total Expenditures	<u>36,626,417</u>	<u>55,625,706</u>	<u>(27,593,282)</u>	<u>64,658,841</u>
Excess of revenues over (under) expenditures	<u>(997,927)</u>	<u>(197,243)</u>	<u>-</u>	<u>(1,195,170)</u>
Other Financing Sources (Uses):				
County appropriation	955,672	-	-	955,672
Transfer in	362,261	225,443	(225,443)	362,261
Transfers out	(225,443)	-	225,443	-
	<u>1,092,490</u>	<u>225,443</u>	<u>-</u>	<u>1,317,933</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>94,563</u>	<u>28,200</u>	<u>-</u>	<u>122,763</u>
Fund Balance at beginning of fiscal year	4,334,345	221,912	-	4,556,257
Prior Period Adjustment	<u>230,620</u>	<u>-</u>	<u>-</u>	<u>230,620</u>
Fund Balance at beginning of fiscal year as restated	<u>4,564,965</u>	<u>221,912</u>	<u>-</u>	<u>4,786,877</u>
Fund Balance at end of fiscal year	<u>\$ 4,659,528</u>	<u>\$ 250,112</u>	<u>\$ -</u>	<u>\$ 4,909,640</u>

ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

DETAILED SCHEDULE OF ST. CLAIR CMH REVENUES FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005 AND 2004

	2005	2004
Intergovernmental:		
Federal/State -		
Department of Community Health	\$ 4,970,909	4,467,658
Adult Benefit Waiver	620,452	808,862
Title XX replacement	32,800	32,800
Technical Assistance Support Grant	-	80,983
MI Child	25,775	27,320
Managed Care Capitated Payments	27,593,282	26,619,785
SAMSHA Grants	131,057	104,737
DHS -Strong Families Grant	155,995	160,744
Highway Safety	5,500	5,000
Juvenile Justice	58,334	45,040
CSCB Dues/Administration	7,600	7,600
SSI	5,216	4,616
OBRA	162,681	159,114
ISD Early On Grant	125,670	121,155
Path Homeless Grant	40,750	39,300
Other grants & reimbursements	10,981	15,425
	<u>33,947,002</u>	<u>32,700,139</u>
Local -		
Other County Reimbursement Contracts	307,527	217,693
Blue Water Area Transportation Revenue	356,273	337,491
Jail Coordinator Funding	52,225	48,251
EOC Head Start	24,000	24,000
Day Treatment/Night Watch	59,507	59,507
Reimbursements	23,093	31,962
	<u>822,625</u>	<u>718,904</u>
	<u>34,769,627</u>	<u>33,419,043</u>
Charges for Services:		
Fees -		
Medicaid	76,819	45,722
Medicare	248,037	106,387
Private pay	108,290	179,109
Blue Cross	45,559	8,713
Other Substance Abuse	17,840	10,377
Other insurance companies	32,356	5,379
	<u>528,901</u>	<u>355,687</u>
Interest and Rents:		
Interest	<u>251,368</u>	<u>135,874</u>
Other Revenue:		
Match money	23,802	23,802
Robert Woods Johnson Foundation	-	56,595
Community Foundation	2,105	6,543
Miscellaneous	52,687	30,953
	<u>78,594</u>	<u>117,893</u>
Total Revenues	<u>\$ 35,628,490</u>	<u>\$ 34,028,497</u>

ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

DETAILED SCHEDULE OF DEVELOPMENTAL DISABILITY PROGRAMS EXPENDITURES FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005 AND 2004

	2005	2004
Family Support Services -		
Case Management	\$ 788,739	766,957
Family Skill Development	47,902	51,807
Community Living Support	1,118	12,874
Enhanced Health Care	130,449	135,589
Occupational Therapy	55,020	77,858
Health Services	23,985	32,046
	<u>1,047,213</u>	<u>1,077,131</u>
Family Support Home Based Services -		
Home Based Services	238,846	\$ 147,731
Community Living Support	1,959	1,837
	<u>240,805</u>	<u>149,568</u>
Support Services -		
Mental Health Clinic		
Occupational Therapy	358,150	101,380
Health	162,760	133,259
Case Management	1,117,588	757,070
Enhanced Health Care	487,308	232,442
	<u>2,125,806</u>	<u>1,224,151</u>
Marine City Support Services		
Case Management	214,352	-
Enhance Health Care	32,911	-
Occupational Therapy	44,738	-
Health Services	2,028	-
	<u>294,029</u>	<u>-</u>
Children's Waiver Services -		
Case Management	47,045	30,378
Community Living Support	4,214	-
	<u>51,259</u>	<u>30,378</u>
OBRA PASARR -		
Mental Health Clinic	16,994	12,133
	<u>16,994</u>	<u>12,133</u>
OBRA Active/Less than Active Treatment -		
Mental Health Clinic	26,111	17,741
	<u>26,111</u>	<u>17,741</u>
Early On Program -		
Case Management	208,824	202,038
	<u>208,824</u>	<u>202,038</u>
Family Support Respite Care -		
Respite Services	488,699	477,100
	<u>488,699</u>	<u>477,100</u>
Community Integration Services -		
Community Living Support	404,892	364,632
Skill Building Assistance	313,336	291,178
	<u>718,228</u>	<u>530,025</u>
Transportation	<u>631,541</u>	<u>580,782</u>
	<u>\$ 5,849,509</u>	<u>\$ 4,301,047</u>

ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

DETAILED SCHEDULE OF MENTAL ILLNESS PROGRAM EXPENDITURES FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005 AND 2004

	2005	2004
Jail Rehabilitation Services -		
Mental Health Clinic	\$ 140,748	\$ 138,228
Port Huron Counseling Center -		
Mental Health Clinic	584,554	562,301
Health	154,209	146,224
Case Management	501,459	508,589
Community Living Support	151,394	138,586
	<u>1,391,616</u>	<u>1,355,700</u>
Western Area Outpatient -		
Mental Health Clinic	173,087	180,306
Health	13,695	6,117
Case Management	188,986	153,746
Community Living Support	74,283	73,116
	<u>450,051</u>	<u>370,073</u>
River District Counseling -		
Mental Health Clinic	256,855	\$ 193,709
Health	69,060	64,536
Case Management	188,661	248,017
Community Living Support	70,617	79,542
	<u>585,193</u>	<u>445,832</u>
Childrens' Home Based Services -		
Mental Health Clinic	22,697	16,315
Home Based Services	600,185	568,484
	<u>622,882</u>	<u>405,126</u>
OBRA Active/Less Than Active Services -		
Mental Health Clinic	104,443	86,615
OBRA PASARR -		
Mental Health Clinic	113,729	109,200
Lakeshore Adult Day Treatment -		
Day Program	185,933	237,783
Mental Health Clinic	168,182	85,658
Health	78,086	81,409
Case Management	135,382	190,263
Community Living Support	126,690	63,831
	<u>694,273</u>	<u>507,393</u>
Assertive Community Treatment -		
Mental Health Clinic	30,239	22,629
Assertive Community Treatment	525,654	486,275
	<u>555,893</u>	<u>305,265</u>
MIC Daytreatment/Nightwatch		
Mental Health Clinic	54,481	-
Case Management	35,739	-
	<u>90,220</u>	<u>-</u>

ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

DETAILED SCHEDULE OF MENTAL ILLNESS PROGRAM EXPENDITURES FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005 AND 2004 (continued)

	2005	2004
MIC Clinical Case Management Services -		
Mental Health Clinic	\$ 505,451	\$ 485,695
Occupational Therapy	13,723	26,798
Health	33,847	43,674
Case Management	234,176	130,277
Family Skill Development	31,053	23,966
Respite	20,249	85,071
	<u>838,499</u>	<u>795,481</u>
 Hopps Road - Direct Operated Transition Staff	 <u>88,779</u>	 <u>28,777</u>
 Community Inpatient Facilities -		
Port Huron Hospital -		
MIA Services	1,141,641	674,309
SED Children	-	3,428
Harbor Oaks -		
MIA Services	215,445	114,405
SED Children	173,337	81,742
Other -		
MIA Services	69,739	54,562
SED Children	22,736	28,205
Psychiatric Consultations	1,599	1,159
	<u>1,624,497</u>	<u>957,810</u>
 Medications-Injectibles	 <u>158,621</u>	 <u>-</u>
 Adult Support Services -		
Mental Health Clinic	64,630	215,098
Occupational Therapy	14,923	242,879
Health	10,605	99,232
Case Management	81,080	577,042
	<u>171,238</u>	<u>1,134,251</u>
 On-Call	 <u>210,680</u>	 <u>144,279</u>
 Placement and Facility	 <u>147,029</u>	 <u>136,595</u>
 Head Start -		
Prevention Services	<u>98,126</u>	<u>118,024</u>
 Transportation	 <u>40,311</u>	 <u>64,531</u>
	<u><u>\$ 8,126,828</u></u>	<u><u>\$ 7,103,180</u></u>

ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

DETAILED SCHEDULE OF OTHER EXPENDITURES FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005 AND 2004

	2005	2004
Administration and Support Services -		
CMH Board	\$ 3,676,861	\$ 3,699,183
Marysville Childrens Crisis Home	-	\$ 248,016
Drawdown match	659,281	659,281
Community Services Coordinating Body	131,031	109,087
	<u>\$ 4,467,173</u>	<u>\$ 4,715,567</u>
Grants -		
Anti Stigma Block Grant	\$ 49,757	\$ 17,810
Technical Assistance Support	-	75,915
Strong Families/Safe Children	138,609	139,016
Path Grant	46,711	46,685
Casemanagement Supports Block Grant	13,293	21,767
CSP Juvenile Justice	66,804	50,334
Safe St. Clair County	5,500	4,401
Project Stay Block Grant	57,844	53,023
Recovery Block Grant	-	5,654
Community Foundation Car Seats	2,105	6,586
Robert Woods Johnson	-	72,909
Other	2,947	1,266
	<u>\$ 383,570</u>	<u>\$ 495,366</u>
Institutional Care:		
Caro Regional Mental Health Center	\$ 557,440	\$ 327,120
Mount Pleasant Regional Center	471,560	396,200
Kalamazoo	38,916	-
County Institution Costs	147,165	126,100
	<u>\$ 1,215,081</u>	<u>\$ 849,420</u>
Total Institutional Care	<u>\$ 1,215,081</u>	<u>\$ 849,420</u>

ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

DETAILED SCHEDULE OF CONTRACT AGENCY EXPENDITURES FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005 AND 2004

	2005	2004
Arc of St. Clair County -		
Work Activities Program	\$ 2,144,110	\$ 2,283,230
River District Adult Activities	473,022	467,930
Children's Waiver	-	13,525
Supported Employment	5,380	7,240
Living a Life in the Community	25,325	16,305
Consortium Agreement	14,850	14,850
Blue Water Center for Independent Living -		
Unit based fee for service	18,963	18,740
Blue Water Development Housing -		
Children's Waiver	9,335	34,115
Enhanced Home/Support Waiver	378,912	255,640
Living a Life in the Community	28,890	3,062
Home of My Own Support	2,720	-
Michigan Vocational Rehabilitation	46,802	46,802
Center for Human Resources	129,382	58,252
I.M.P.A.C.T. - Community Support		
Community Support	205,852	205,228
Supported Community Integrated Services	44,236	99,686
Living a Life in the Community	21,202	5,139
Innovative Housing Development Corporation -		
Community Living Supports	98,071	128,773
Professional Counseling Center -		
Unit based fee for service	438,284	365,588
LT/HBS	697,551	588,637
Goodwill Industries	237,891	259,075
Individual Providers - H/SW	35,263	48,032
Probate Court - Public Guardian	38,370	38,370
Port of Hopes	119,489	115,920
Safe Horizons	27,392	17,500
Self Determination Fiscal Intermediaries	249,835	253,630
Sensory Systems Clinic	-	982
Horizon Residential Center	15,664	-
Touchstone -		
Psychosocial Rehabilitation	406,315	396,462
Rural Clubhouse	290,699	391,942
Tri-Hospital Ambulance	13,514	7,520
Visiting Nurses Association -		
Alzheimer's Program	88,675	105,530
Nor-Serv Group, Incorporated	158,972	125,465
MSU Extension-Building Strong Families	71,201	32,750
EOC - Knowledge Involvement	-	19,412
Out of County Services	72,127	27,714
Other	2,477	269
	<u>\$ 6,610,771</u>	<u>\$ 6,453,315</u>

ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

DETAILED SCHEDULE OF RESIDENTIAL HOMES EXPENDITURES FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005 AND 2004

	2005	2004
Group Homes:		
Blue Water Developmental Housing, Inc. -		
Children's Crisis Home (Jones Place)	\$ 247,227	299,853
Strawberry Lane Home - Blue Water House	314,288	335,865
Springborn	296,908	274,488
Stoneybrook	361,872	344,715
Semi-Independent - Tenth Street	271,347	248,844
Eunice Hayes Home	374,732	355,041
Maple Street	381,790	380,755
Oakleaf	399,942	396,929
Thornhill	371,883	351,858
I.M.P.A.C.T. -		
Crawford	315,679	320,870
Meisner	306,251	311,688
Simpson	350,974	378,123
Vine	349,196	365,312
Frith Road	276,526	296,382
Allen Road	321,414	302,187
Range Road	429,553	409,756
Michigan Road Home	354,477	359,106
Innovative Housing Development Corporation -		
Lincoln	264,403	310,433
Roehl	295,982	303,959
Oak Street	270,506	294,754
Progression	289,256	291,713
Stone Creek	393,321	379,795
Abbottsford	395,117	378,129
Gibbons	295,072	285,631
Scott	250,536	281,443
Ponderosa	420,934	395,735
Mayfield	363,334	372,424
Ravenswood	309,869	318,353
	<u>9,272,389</u>	<u>9,344,141</u>
Foster Homes	<u>701,096</u>	<u>503,382</u>
Total Residential Homes Expenditures	<u><u>\$ 9,973,485</u></u>	<u><u>\$ 9,847,523</u></u>

ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

TRANSPORTATION EXPENSES FOR THE YEAR ENDED SEPTEMBER 30, 2005

	<u>Operations</u>	<u>Maintenance</u>	<u>General Admin.</u>	<u>Total System</u>
Labor -				
Operator's salaries and wages	\$ 122,203	\$ -	\$ -	\$ 122,203
Other salaries and wages	25,369	-	32,799	58,168
Fringe benefits	45,894	-	31,854	77,748
Services -				
Audit costs	594	-		594
Other services	2,146			2,146
Materials and Supplies Consumed -				
Fuel and lubricants	21,659			21,659
Tires and tubes				-
Other materials and supplies	248	8,400	2,410	11,058
Utilities	3,783		1,482	5,265
Casualty and Liability Costs -				
Premiums for Public Liability				-
Other Insurance	17,455			17,455
Purchased Transportation Costs	352,341			352,341
Miscellaneous Expenses -				
Travel and Meetings	9			9
Other miscellaneous expenses	1,800		50,967	52,767
Leases & Rentals	27,084		4,370	31,454
Depreciation	<u>27,801</u>	<u>8,400</u>	<u>123,882</u>	<u>27,801</u>
	648,386			780,668
Less: Ineligible expenses				
Other Ineligible Expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Operating Expenses	<u>\$ 648,386</u>	<u>\$ 8,400</u>	<u>\$ 123,882</u>	<u>\$ 780,668</u>

ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

**MILEAGE DATA (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2005**

	<u>Total Mileage</u>
Demand-Response	
1st. Quarter	38,710
2nd. Quarter	38,323
3rd. Quarter	45,044
4th. Quarter	<u>44,404</u>
	<u><u>166,481</u></u>

ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

**INTERNAL SERVICE FUNDS
COMBINING SCHEDULE OF NET ASSETS
SEPTEMBER 30, 2005**

	<u>Risk Corridor Financing</u>		<u>Building Fund</u>	<u>Total</u>
	<u>St. Clair CMH</u>	<u>PIHP</u>		
ASSETS				
Due from other funds	\$ -	\$ -	\$ 20,338	\$ 20,338
Restricted Assets -				
Cash and cash equivalents	-	4,274,322	-	4,274,322
Capital assets, net of depreciation				
Assets not being depreciated	-	-	186,551	186,551
Assets being depreciated	-	-	1,206,299	1,206,299
Total Assets	<u>\$ -</u>	<u>\$ 4,274,322</u>	<u>\$ 1,413,188</u>	<u>\$ 5,687,510</u>
LIABILITIES				
Current Liabilities -				
Advance from other funds (current portion)	-	-	29,598	29,598
Long- Term Liabilities -				
Advance from other funds (net of current portion)	<u>-</u>	<u>-</u>	<u>1,369,620</u>	<u>1,369,620</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>1,399,218</u>	<u>1,399,218</u>
NET ASSETS				
Investment in capital assets	-	-	(6,368)	(6,368)
Restricted for Risk Corridor Financing	-	4,274,322	-	4,274,322
Unrestricted	<u>-</u>	<u>-</u>	<u>20,338</u>	<u>20,338</u>
Total Net Assets	<u><u>\$ -</u></u>	<u><u>\$ 4,274,322</u></u>	<u><u>\$ 13,970</u></u>	<u><u>\$ 4,288,292</u></u>

ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

INTERNAL SERVICE FUNDS

COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005

	Risk Corridor Financing		Building	
	St. Clair CMH	PIHP	Fund	Total
Operating Revenues				
Intergovernmental - State	\$ -	\$ 158,487	\$ -	\$ 158,487
Rent	-	-	39,994	39,994
	-	158,487	39,994	198,481
Operation Expense				
Depreciation	-	-	12,066	12,066
Operating Income (Loss)	-	158,487	27,928	186,415
Non-Operating Income (Expenses)				
Interest Revenues	6,689	112,798	-	119,487
Interest Expenses	-	-	(13,958)	(13,958)
	6,689	112,798	(13,958)	105,529
Net Income (Loss) Before Transfers	6,689	271,285	13,970	291,944
Transfer to other funds	(362,261)	-	-	(362,261)
Net Income (Loss)	(355,572)	271,285	13,970	(70,317)
Net Assets at beginning of year	355,572	4,003,037	-	4,358,609
Net Assets at end of year	\$ -	\$ 4,274,322	\$ 13,970	\$ 4,288,292

ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

INTERNAL SERVICE FUNDS COMBINING SCHEDULE OF CASH FLOW FOR THE YEAR ENDED DECEMBER 31, 2005

	Risk Corridor Financing			
	St. Clair CMH Operations	PIHP	Building Fund	Total
Cash Flows From Operating Activities:				
Cash receipts from state	\$ -	\$ 158,487	\$ -	\$ 158,487
Cash receipts from interfund services	-	-	-	-
	<u>-</u>	<u>158,487</u>	<u>-</u>	<u>158,487</u>
Cash Flows From Noncapital Financing Activities:				
Transfers to other funds	<u>(362,261)</u>	<u>-</u>	<u>-</u>	<u>(362,261)</u>
Cash Flows From Capital and Related Financing Activities:				
Advances from other funds	-	-	1,174,297	1,174,297
Acquisition and construction of capital assets	<u>-</u>	<u>-</u>	<u>(1,174,297)</u>	<u>(1,174,297)</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash Flows From Investing Activities				
Interest Earned	<u>6,689</u>	<u>112,798</u>	<u>-</u>	<u>119,487</u>
Net Increase (Decrease) in Cash and Cash Equivalents for the year	(355,572)	271,285	-	(84,287)
Cash and Cash Equivalents at Beginning of Year	<u>355,572</u>	<u>4,003,037</u>	<u>-</u>	<u>4,358,609</u>
Cash and Cash Equivalents at End of Year	<u><u>-</u></u>	<u><u>4,274,322</u></u>	<u><u>-</u></u>	<u><u>4,274,322</u></u>
Reconciliation of Net Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ -	\$ 158,487	\$ 27,928	\$ 186,415
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities-				
Depreciation	-	-	12,066	12,066
Changes in assets and liabilities:				
Due from other funds	<u>-</u>	<u>-</u>	<u>(39,994)</u>	<u>(39,994)</u>
Net Cash Provided (Used) By Operating Activities	<u><u>\$ -</u></u>	<u><u>\$ 158,487</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 158,487</u></u>

**ST. CLAIR COUNTY COMMUNITY MENTAL
HEALTH AUTHORITY
Port Huron, Michigan**

**SUPPLEMENTARY INFORMATION TO
FINANCIAL STATEMENTS
(FEDERAL AWARDS)**

FOR THE YEAR ENDED SEPTEMBER 30, 2005



ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

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**INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY FINANCIAL INFORMATION**

To the St. Clair County Community
Mental Health Authority
Port Huron, Michigan

We have audited the basic financial statements of the St. Clair County Community Mental Health Authority as of and for the year ended September 30, 2005. These financial statements are the responsibility of the St. Clair County Community Mental Health Authority's management. Our responsibility was to express an opinion on those basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the St. Clair County Community Mental Health Authority taken as a whole. The Schedule of Expenditures of Federal Awards presented on page 5 is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations* and is not a required part of the basic financial statements. The information in the statement, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


Certified Public Accountants

February 10, 2006

**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the St. Clair County Community
Mental Health Authority
Port Huron, Michigan

We have audited the financial statements of the St. Clair County Community Mental Health Authority as of and for the year ended September 30, 2005, and have issued our report thereon, dated February 10, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the St. Clair County Community Mental Health Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the St. Clair County Community Mental Health Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management and the Board of Directors of the St. Clair County Community Mental Health Authority, and the federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


Certified Public Accountants

February 10, 2006



**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

To the St. Clair County Community Mental
Health Authority
Port Huron, Michigan

Compliance

We have audited the compliance of St. Clair County Community Mental Health Authority with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2005. St. Clair County Community Mental Health Authority's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of St. Clair County Community Mental Health Authority's management. Our responsibility is to express an opinion on St. Clair County Community Mental Health Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about St. Clair County Community Mental Health Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on St. Clair County Community Mental Health Authority's compliance with those requirements.

In our opinion, St. Clair County Community Mental Health Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2005.

Internal Control Over Compliance

The administration of St. Clair County Community Mental Health Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered St. Clair County Community Mental Health Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and the Board of the St. Clair County Community Mental Health Authority, and the federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Certified Public Accountants

February 10, 2006

ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED SEPTEMBER 30, 2005

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
U.S. DEPARTMENT OF TRANSPORTATION			
Passed Through Blue Water Area Transportation Commission:			
Public Transportation for Nonurbanized Areas	20.509	N/A	\$ 72,638
Passed Through Michigan State Police:			
State & Community Highway Safety - Safe Seatbelts for Everyone	20.600	CP-03-10	5,000
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			<u>77,638</u>
U.S. DEPARTMENT OF EDUCATION:			
Passed Through the Local Intermediate School District:			
Infants and Toddlers with Disabilities	84.181		
Early On Program		N/A	125,670
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>125,670</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
Passed Through the Michigan Department of Community Health:			
Substance Abuse and Mental Health Administration Center for Mental Health Services	93.150		
Outreach Homeless Project		20031283	40,750
MIChild	93.767	N/A	25,775
Medical Assistance Program - (Medicaid; Title XIX) Omnibus Budget Reconciliation Act	93.778	N/A	122,010
Block Grants for Community Mental Health Services	93.958		
Juvenile Justice Diversion		20051043	48,961
Respite Service		20051043	4,738
Project Stay		20051043	60,485
Port of Hopes Drop In Center		20051043	8,350
Transition Housing		20051043	14,314
Anti-Stigma		20051043	48,947
			<u>185,795</u>
Passed Through the Michigan Family Independence Agency:			
Family Preservation and Support Services - Strong Families/Safe Children	93.556	FID 02-74001	155,995
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>530,325</u>
Total Expenditures of Federal Awards			<u>\$ 733,633</u>

See Notes to Schedule of Expenditures of Federal Awards

ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2005**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of St. Clair County Community Mental Health Authority's operating fund and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2 - RECONCILIATION TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

Financial Statements –	
Total Federal/State Revenues	\$ 61,178,009
Less:	
State Sources	(60,517,014)
Add: Federal portion from Blue	
Water Area Transportation Commission	
classified as local sources on financial	
statements	<u>72,638</u>
Total Expenditures of Federal Awards	<u>\$ 733,633</u>

ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED SEPTEMBER 30, 2005

Section I - Summary Of Auditor's Results:

Financial Statements

Type of auditor's report issued: Unqualified

Internal controls over financial reporting:
Material weakness(es) identified? _____ yes x no
Reportable condition(s) identified not
considered to be material weaknesses? _____ yes x none reported

Noncompliance material to financial
statements noted? _____ yes x no

Federal Awards

Internal Control over major programs:
Material weakness(es) identified? _____ yes x no
Reportable condition(s) identified not
considered to be material weaknesses? _____ yes x none reported

Type of auditor's report issued on compliance
for major programs: Unqualified

Any audit findings disclosed that are required to
be reported in accordance with Circular A – 133,
Section 510(a)? _____ yes x no

Identification of Major Programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
CFDA #84.181	Infant and Toddlers with Disabilities
CFDA #93.556	Strong Families/Safe Children

Dollar threshold used to distinguish
between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? x yes _____ no

Section II - Financial Statement Findings:

There were no financial statement findings.

Section III - Federal Award Findings and Questioned Costs:

There were no Federal Award Findings and Questioned Costs required to be reported by Section 510(a) of OMB Circular A-133.

Schedule IV - Prior Year Findings:

There were no prior year findings.



**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the St. Clair County Community
Mental Health Authority
Port Huron, Michigan

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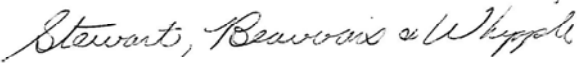
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Certified Public Accountants

February 10, 2006